

Message Text

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ACTION EUR-12

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SUBJ: GROWING GREEK ECONOMIC AND COMMERCIAL TIES WITH
MIDDLE EAST

REF: ATHENS A-39

1. FOLLOWING ARE SUMMARY AND CONCLUSIONS FROM EMBASSY
AIRGRAM ASSESSMENT OF GROWING GREEK ECONOMIC AND COMMERCIAL
TIES WITH MIDDLE EAST. REFERENCED AIRGRAM WAS TRANSMITTED TO
DEPARTMENT VIA CLASSIFIED POUCH APRIL 7.

2. GOVERNMENT OF GREECE (GOG) IS CURRENTLY EMBARKED ON
AN AMBITIOUS EFFORT TO EXPAND ECONOMIC AND COMMERCIAL TIES
WITH THE MIDDLE EAST AND NORTH AFRICA. BECAUSE OF GREECE'S
HISTORIC CONNECTIONS WITH THE ARAB WORLD, GEOGRAPHIC ACCESS
TO MIDDLE EASTERN MARKETS, AND THE COMMERCIAL VACUUM
CAUSED BY CIVIL WAR IN LEBANON, GOG PLANNERS BELIEVE THAT
ATHENS IS UNIQUELY QUALIFIED TO SERVE AS A BRIDGE BETWEEN
EUROPEAN AND MIDDLE EASTERN AND AFRICAN MARKETS. TO DATE,
ATHENS HAS BEEN NOTABLY SUCCESSFUL IN EXPANDING EXPORTS TO
THE MIDDLE EAST AND NORTH AFRICA, CAPTURING LUCRATIVE
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CONSTRUCTION CONTRACTS, AND ATTRACTING MULTINATIONAL REGIONAL
HEADQUARTERS, BUT HAS NOT YET STIMULATED SIGNIFICANT ARAB
INVESTMENT IN GREECE, NOT SUCCEEDED IN OBTAINING CONCESSIONAL
PETROLEUM, AND NOT DEVELOPED FURTHER AS A REGIONAL SHIPPING,
SHIPBUILDING AND REPAIR CENTER. WHILE AVAILABLE DATA IS
INCOMPLETE, AIRGRAM ATTEMPTS TO ASSESS GREECE'S
GROWING ECONOMIC AND COMMERCIAL INVOLVEMENT IN THE

MIDDLE EAST AND ROLE AS A REGIONAL BUSINESS CENTER. IMPORT-EXPORT DATA, A LISTING OF THE 170 U.S. REGIONAL FIRMS HEADQUARTED IN ATHENS, AND A LIST OF MAJOR GREEK CONTRACTING FIRMS WORKING IN THE MIDDLE EAST ARE GIVEN AS ENCLOSURE TO AIRGRAM.

3. LOOKING AHEAD, WE BELIEVE THAT GREEK BUSINESS AND GOVERNMENT EFFORTS TO EXPAND COMMERCIALY INTO THE MIDDLE EAST ARE LIKELY TO RESULT IN FURTHER REORIENTATION OF GREEK TRADE PATTERNS IN THAT DIRECTION. GIVEN GREECE'S PROXIMITY TO ARAB MARKETS, IT SHOULD HAVE A GROWING SHARE OF HEAVY MIDDLE EASTERN IMPORT REQUIREMENTS FOR CONSTRUCTION MATERIALS, BASIC MANUFACTURED GOODS AND FOODSTUFFS. THE PERCENTAGE OF EXPORTS TO THE REGION IS, THEREFORE, EXPECTED TO CONTINUE FOR SEVERAL YEARS TO RISE AT ANNUAL RATES NEARLY DOUBLE THOSE OF OVERALL GREEK EXPORTS.

4. THE STRONG POSITION OF GREEK CONTRACTORS AND ENGINEERING COMPANIES IN THE MIDDLE EAST SHOULD ALSO HAVE IMPORTANT SECONDARY BENEFITS FOR SMALLER LOCAL INDUSTRIES AND SUBCONTRACTORS. WHILE SOME MIDDLE EASTERN INVESTMENTS IN GREEK IS LIKELY, EXPERIENCE TO DATE SUGGESTS THAT GREECE WILL PROBABLY NOT ATTRACT LARGE ARAB INVESTORS BECAUSE OF EXCHANGE CONTROL RESTRICTIONS, LACK OF ARAB FAMILIARITY WITH GREECE, AND UNCERTAINTIES IN GREECE COMPARED WITH OTHER WESTERN ECONOMIES.

5. ATHENS IS LIKELY TO REMAIN A PROMINENT REGIONAL CENTER FOR THE NEAR FUTURE AND MAY EXPAND FURTHER AS A LIMITED OFFICIAL USE

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RESULT OF NEW GOVERNMENT INCENTIVES. WHILE THE INFLUX OF FIRMS FROM LEBANON HAS CAUSED SOME DISLOCATIONS AND PLACED AN UNEXPECTED BURDEN ON THE GREEK GOVERNMENT OFFICES INVOLVED, PROCEDURES ARE NOT BETTER UNDERSTOOD AND CONDUCIVE TO ACCOMMODATION OF NEWCOMERS. THE GOG WELCOMES THE CONTRIBUTION OF REGIONAL COMPANIES, AND THE LARGER US OFFICES IN ATHENS HAVE INDICATED TO US THAT THEY PLAN TO REMAIN HERE.

6. FINALLY, WE BELIEVE THAT THE INVOLVEMENT OF GREEK CONTRACTORS IN THE MIDDLE EAST WILL OFFER INCREASINGLY ATTRACTIVE OPPORTUNITIES FOR JOINT VENTURES WITH US FIRMS PROVIDING HIGH TECHNOLOGY SUCH AS DESALINATION OR OILFIELD EXPERTISE. KUBISCH

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